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DIRECTORATE OF  
INTELLIGENCE

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SOUTH VIETNAM: The Viet Cong are planning to work hard in support of selected antigovernment candidates for election to South Vietnam's lower house in August.

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[redacted] Communist cadres plan to work on behalf of almost anyone who speaks out against the government, who has ties with the Viet Cong or who, consciously or unconsciously, shows sympathy for Communist objectives. "Legal" cadres--enemy agents with authentic government documentation living in government-secured areas--will be used to encourage the election of such candidates by speaking out against unpopular government economic and social actions and by forecasting the imminent collapse of the Saigon government because of decreasing US troop and financial support.

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Legal cadres are beginning to form political action teams [redacted] that will operate in the countryside to assess potential candidates and to organize support for them once they have been selected. Agents also will join legally established government parties and social organizations and attempt to rally support among members from inside these groups. In areas that are strongly controlled by the government, judicious use of terrorism will be used, such as selectively assassinating government-sponsored candidates and sabotaging polling places, to offset the Communists' inability to find suitable candidates to support.

Although the Communists clearly would like to maximize the number of opposition candidates elected to the lower house, their cadre organization probably is not strong enough in most areas to tip the balance in favor of candidates who do not already have strong local support. Moreover, many antigovernment candidates probably will be chary about accepting overt Communist backing. Nonetheless, behind-the-scenes Communist activity could help elect

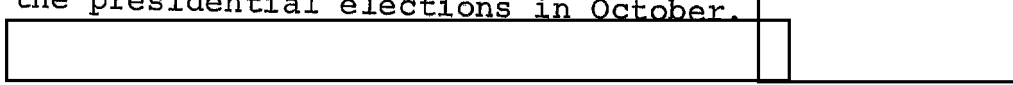
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more antigovernment spokesmen to the lower house in August, broaden the base of popular discontent, and might even encourage a stronger opposition vote in the presidential elections in October.



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SOUTH KOREA: Student unrest appears to be receding in the wake of the recent general elections.

Some colleges in the Seoul area have reopened, and the minister of education plans to have all schools back in operation before President Pak Chong-hui's inauguration on 1 July. The authorities began closing the colleges and universities last month after other measures, including the arrest of some student leaders, failed to end student demonstrations. The students were protesting the government's conduct of the elections and the expansion of hours of on-campus military training, which the students correctly believed was intended to restrain further their political activity.

A number of factors account for the gradual easing of campus tensions. One of the most important is the relatively high number of opposition candidates for the National Assembly who were elected--a result that has tended to undercut suspicion that the government intended to rig the elections. Another factor is the authorities' apparent willingness to compromise on the military training issue. Some points of contention remain, including the fate of student leaders still in jail, but it seems unlikely at this time that the students will seek to mar Pak's inauguration. The students, who are strongly nationalistic, in recent years have shown a growing reluctance to embarrass the government when foreign dignitaries are present.


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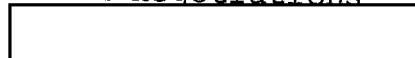
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EGYPT-ISRAEL: Pessimism about an agreement on opening the Suez Canal is being expressed on both sides of the waterway.

Israeli cabinet minister Yisrael Galili said yesterday in a newspaper interview that as long as Egypt's conditions for reopening the canal remain unchanged, hope for an agreement is unrealistic. He expressed the belief, however, that Cairo may not have given its final word because a settlement would clearly be in Egypt's interest. He doubted that the Soviets would encourage what they must view as a hopeless Egyptian attack across the canal. Galili, nevertheless, estimated that the Egyptians might embark on another war of attrition, relying on "new weapons" received from the Soviet Union. Defense Minister Dayan has made a similar statement to the press. Dayan said that because of the gap between the positions of the two sides, there is "no prospect" for an interim settlement.

Egypt's semiofficial newspaper Al Ahram also reported yesterday that Cairo has despaired of US efforts to work out a Middle East peace settlement. Al Ahram's editor predicted that the approach of the 1972 presidential elections in the US would end all prospects of American pressure on Israel and warned that "no one" expects the tense cease-fire to last much longer, even though no one could predict when it would end. Egyptian Foreign Minister Riyad, in an interview in Paris on 17 June, has dismissed US-initiated negotiations on opening the canal as a propaganda trick to prolong the Middle East cease-fire.

Israeli newspapers, meanwhile, are saying that the government is seriously concerned over reports that the US is planning to present its own proposal on a Suez agreement. According to the press, "Israeli sources" have commented that any such plan will probably cause a deadlock in the negotiations for an interim settlement, just as Jarring's proposals earlier created a deadlock in negotiations toward an over-all settlement.



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INDIA-PAKISTAN: The economic costs of caring for East Pakistani refugees in India continue to mount.

The direct costs for six months for the six million refugees already there will amount to between \$200 and \$500 million, according to recent data supplied by the US Embassy in New Delhi. The range reflects widely differing standards for food rations and shelter. For each additional six months the totals will increase by some \$100-200 million. Moreover, these estimates exclude substantial indirect costs to India, perhaps as high as \$300 million, of diverting resources from development and other economic activity.

So far India has been able to meet most of the refugee food requirements by drawing on existing supplies. These are diminishing, however, and the government is counting on foreign aid to replenish its stockpiles. Refugee relief commitments to India, however, amount to only an estimated \$50 million thus far.

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USSR-US: A Soviet geophysical delegation recently in the US emphasized Moscow's interest in acquiring US drilling tools and other equipment, even at premium prices, for use in developing the USSR's West Siberian oil and gas fields.

The Soviets admitted that extensive imports of such items, which are subject to US export controls, will be necessary if the USSR is to meet its oil and gas targets by the end of the current five-year plan in 1975. The Soviet spokesman added that the US would be the preferred supplier, replacing several countries in Western Europe that now fill this role.

This overture is comparable to one made last month by a high-level Soviet automotive mission for a relaxation of US export controls on equipment sought by the USSR to manufacture trucks and other vehicles. Licenses for the export of \$86 million of this kind of equipment were approved earlier this month.

In another development relating to the West Siberian fields, Moscow and Bonn are negotiating a second massive contract involving the exchange of Soviet natural gas for German large-diameter pipe and pipeline equipment. The USSR will have to import this pipe and equipment to distribute the oil and gas from West Siberia, because domestic manufacturing capacity will be inadequate to produce the requisite amounts by 1975.



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IRAQ - USSR - COMMUNIST CHINA: Baghdad is discussing economic relations and other matters with both Moscow and Peking.

A Soviet delegation headed by a deputy chairman of the Soviet Council of Ministers and including officials concerned with foreign economic relations arrived in Baghdad earlier this week. The meetings are to focus on the Middle Eastern situation, party matters, and economic affairs. Two months ago, the Soviets extended more than \$220 million in economic aid to Baghdad, primarily for oil projects. Another delegation is expected to arrive soon to discuss implementation of other projects.

On 17 June, an Iraqi delegation headed by Petroleum Minister Hammadi arrived in Peking for talks on economic and trade cooperation; Peking has never extended economic aid to Iraq. The composition of the delegation suggests that the talks may focus on the oil or petrochemical industry in Iraq.

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CHAD: The last of the French combat troops that were sent to Chad at Fort Lamy's request in April 1969 have been removed, thus ending the official French intervention in this dissidence-plagued ex-colony.

Approximately 2,500 French military will remain, including about 600 advisers in the Chad armed forces and the expanded Force for Central Africa permanently based at Fort Lamy. This number is considerably higher than pre-intervention troop levels.

The five-and-a-half-year old Muslim insurgency seems to be winding down as a result of French military pressure, rebel war weariness, and Chadian peace moves. Although the level of fighting has declined everywhere over the past two years, it has declined less in the north and in the east than in central Chad, where a limited settlement has been reached. The rebels in the north and east have shown little interest in coming to terms.

Chad must now provide security and deliver promised government reforms and development projects to effect any lasting reconciliation. Its slowly improving army and lack of trained administrators and economic resources, however, pose serious problems. In recognition of these problems, the remaining French troops are scheduled to back up Chad's forces as needed, and Paris plans to continue and may even increase its level of aid to the area.



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TUNISIA: President Bourguiba's return to Tunisia today will bring into sharper focus the long-pending issues of presidential succession and decentralization of authority.

Advance preparations for the President's return are modest, in contrast with the massive publicity buildup and the emotional welcome he was given on his return last year after nearly eight months of convalescence in France. The Tunisians, knowing that he has been under psychiatric treatment in Geneva for the past five months, are aware that he will at best be a part-time president and that it is uncertain how long he can carry even a limited load.

Presumably, Bourguiba's return will lend some impetus to a decision on the constitutional amendments concerning presidential succession and expansion of authority for the government and the National Assembly that have been bottled up in an assembly committee since February. These draft amendments appear to have been based on the work of the high commission of the ruling Destourian Socialist Party that Bourguiba appointed a year ago. Most recent indications, however, are that Bourguiba has had second thoughts, at least on the subject of presidential succession, and is satisfied with the present constitutional provision that in the event of the death or incapacity of the president, the prime minister would succeed for the remainder of the term. The US Embassy in Tunis does not believe that a massive governmental shake-up is imminent, although there may be minor changes.

Bourguiba apparently is well satisfied with the performance of his capable but undynamic prime minister, Hedi Nouira, who in the President's absence has organized the government efficiently and has surrounded himself with a highly effective group of young technocrats. Nouira has also neutralized potential rivals, such as the foreign and defense ministers. His task has been eased both by repeated

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praise from Bourguiba and by economic gains resulting from an apparently good agricultural year, a rise in tourism, and new oil discoveries. Nouria has aroused some resentment, however, by his frankness, and there has been grumbling over a tight budget squeeze he has put on the bureaucracy.

Opposition might come to center on Bourguiba's long-time associate and one-time heir apparent, former prime minister Bahi Ladgham. Ladgham deeply resents the manner in which Bourguiba dismissed him last fall while he was mediating the Jordan-fedayeen conflict. Ladgham is reported to have wide political support throughout the country, although he has not participated in recent party activity.

[REDACTED]

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TRINIDAD-TOBAGO: Radical elements may instigate disturbances today in an attempt to exploit labor unrest and an uncertain political atmosphere.

George Weekes, president-general of the Oil Field Workers' Union (OWTU), plans to use the anniversary today of a 1937 uprising in the Trinidad oil fields as the forum to express OWTU rank-and-file grievances. Weekes, a political rabble-rouser, has sought unsuccessfully to exploit this anniversary in past years, but this year local conditions appear more favorable. Political tensions remain high following Prime Minister Williams' complete victory last month in an election boycotted by the major opposition party. Another dimension is the current unrest among petroleum and chemical workers, which Weekes is now attempting to portray as a racial problem. He has accused major foreign firms of being racially arrogant in allegedly favoring white expatriates over local black employees and practicing intimidation and terror against black OWTU workers.

The police, although apparently not deeply concerned over the threats, have made adequate preparations to control the situation. In the past few weeks, Williams has been looking for an excuse to crack down on Weekes; should the call for a "second revolution" materialize today, Williams may have the opportunity he has been seeking.


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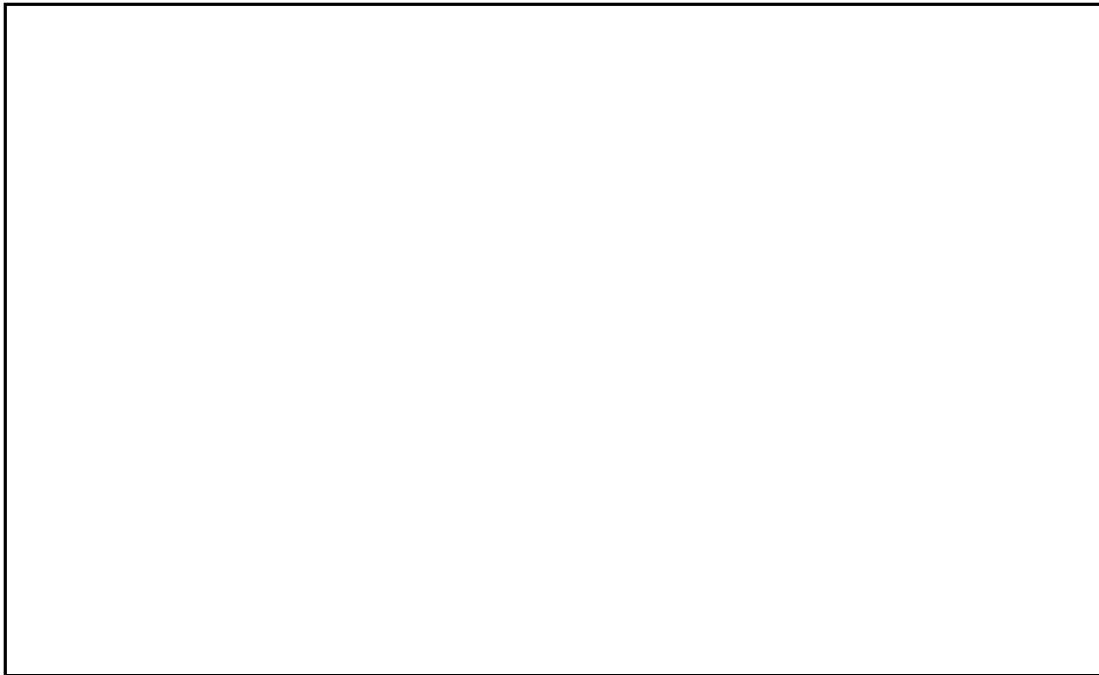
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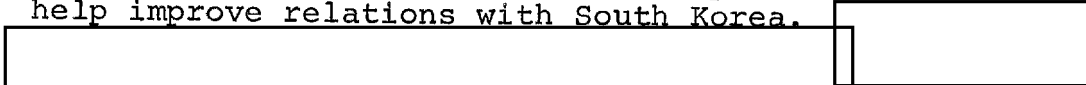
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JAPAN - SOUTH KOREA: Japan apparently will become South Korea's leading supplier of rice this year. Tokyo recently agreed to Seoul's request for 200,000 tons in addition to the 400,000 tons it had agreed to supply earlier. Under the two agreements, both of which carry highly favorable terms for Seoul, Japanese rice sales to South Korea will be double those of last year. The US, South Korea's other major rice supplier, has agreed to provide about 480,000 tons in 1971, also on favorable terms. From Tokyo's point of view, this latest action will slow the growth of Japan's huge surplus of rice and help improve relations with South Korea.



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